

J. K. Cowen  
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RECEIVER  
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B&O RECEIVERSHIP  
*An Address*  
by John K. Cowen.  
1899

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Baltimore, Md.

*Cowen, John K.*

COPY OF AN ADDRESS BY THE

HON. JOHN K. COWEN

BEFORE THE MARYLAND STATE BAR ASSOCIATION,

AT OCEAN CITY, MARYLAND

JULY 26 AND 27, 1899

ON

THE BALTIMORE AND OHIO RECEIVERSHIP





48

C O P Y

JOHN KISSIE COWEN - 11th President of The Baltimore & Ohio Railroad Company.

Born - October 23, 1844.

Died - April 26, 1904.

John Kissie Cowen was born October 23, 1844, at Millersburg, Holmes County, Ohio. His father was Washington Cowen, a native of Oxford, Pa., but early in life moved to Ohio and settled in Holmes County. Mr. Cowen sometimes referred to his father as a blacksmith, but the fact <sup>was</sup> that his father, a farmer, sorely learned blacksmithing before moving to Ohio, because he thought it would be useful to him in that then new country.

Mr. Cowen was educated at the public schools, at the Academy of Fredricksburg and the one at Haysville, Ohio; graduated at Princeton College in the class of 1866 (at the head of his class); studied law at the Law School of the Michigan University, Ann Arbor; admitted to the Bar of Ohio in 1868, and began practice at Mansfield; Ohio, same year; removed to Baltimore, Md., in February 1872, at which time he entered the service of the B. & O. R.R. in its legal department and afterwards became General Counsel of the Company, continuing as such until January 24, 1896, when he was elected President.

On February 29, 1896, Mr. Cowen and Oscar G. Murray were appointed receivers of the Baltimore and Ohio R.R. Co., the railroad remaining in their possession until midnight of June 30, 1899; Mr. Cowen during that time being also President.

Upon the acquisition of a practical control of the B. & O. R.R. by the Pennsylvania Railroad, Mr. Cowen was succeeded as President of the Baltimore & Ohio on June 1, 1901, by L. F. Lorce, former General Manager of the Pennsylvania Lines, West; Mr. Cowen being then elected General Counsel, also a Director, of the Company which offices he held up to the time of his death, which occurred in Chicago, Ill. on April 26, 1904.

Mr. Cowen was elected to the 34th Congress of the United States in 1894, as a Democrat from the 4th District (Md.) though residing in the Second District, receiving 17,134 votes against 16,173 votes for Robert L. Smith, Republican, and 671 votes for Prentiss, Prohibitionist.



## RECEIVERSHIP

The Receivership of The Baltimore & Ohio was made effective as of February 29, 1896, the Mercantile Trust Company of New York recovering a judgment for \$924,470.83, filed its creditor's bill against the Company in the United States Circuit Court for the District of Maryland. The creditor's bill set forth the Company's insolvency and prayed for appointment of Receivers, the late John K. Cowen and Oscar G. Murray being so appointed.

Every action of the Receivers was taken under orders of the Court with no opposition and with approval of all parties interested.

There were a number of different issues of Receivers' Certificates for liquidation of unpaid bills, purchase of equipment, additions and betterments, etc.

### RECEIVERS' CERTIFICATES AND OTHER LIABILITIES

#### Receivers' Certificates Prior to January, 1899:

No.1 -For back debts.....	\$5,000,000.00
No.2 -Account Maryland Construction Co.for Belt Line Improvements.....	952,000.00
No.3 -Account P. & C. for improvements.....	650,000.00
Special Account Purchase 4 Car Floats, N. Y. Harbor.....	57,600.00
Purchase Steel Rail, 40,000 Tons - Repair of Track.....	680,000.00
	<u>\$7,339,600.00</u>

#### Lease Warrants Prior to January, 1899:

Pullman Palace Car Co.- 3,000 Box Cars.....	\$1,557,000.00
Pullman Palace Car Co.- 3,000 Box Cars.....	1,605,000.00
South Baltimore Car Works- 250 Coal Cars.....	89,500.00
Michigan Peninsular Car Co.- 500 Gondola Cars.....	250,000.00
Burnham Williams & Co.- 25 Locomotives.....	280,000.00
Pittsburgh Locomotive Works - 16 Locomotives.....	169,050.00
United States Express Co.- 10 Express Horse Cars.....	32,548.00
	<u>\$3,983,098.00</u>

#### Lease Warrants Subsequent to January, 1899:

Mercantile Trust Co. - 3,000 Box Cars, 30 Locomotives.....	\$1,857,000.00
500 Gondola Cars.....	250,000.00
Maryland Trust Co.- 3,000 Box Cars, 1,000 Gondola Cars, 1,000 Coal Cars, 50 Locomotives.....	<u>3,283,000.000</u>
	<u>\$5,390,000.00</u>

Grand Total.....\$16,712,698.00

During the Receivership of three years and four months The Baltimore & Ohio earned \$92,899,547, including \$3,127,828 miscellaneous income. There was expended during the same period for operating expenses, including extraordinary outlays for maintenance of road and equipment, \$68,162,584, leaving a net of \$24,736,963.

In addition to the amount spent for maintenance and charged to operating expenses, there were additions and betterments made to the road amounting to...

	\$ 4,018,653
and additions to rolling equipment of.....	19,790,456
and to marine equipment of.....	685,504
or total of.....	<u>\$24,494,613</u>



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The terms of the reorganization were:

(a) Every bondholder received new securities which substantially paid his full debt - in other words, the bondholders were paid in full.

(b) The floating debt creditors were paid in full.

(c) First Preferred Stockholders received in cash 75% of par value of their stock, the court having overruled their claim of preference over the bondholders and creditors.

Second Preferred Stockholders received securities, which, after payment of the assessment, netted about \$78 per share at that time.

(d) Common Stockholders, instead of being wiped out, received stock in the new Company upon paying an assessment, the net amount of which did not exceed five or six dollars, taking into account the value of securities received for such assessment.

(e) The Company saved its old charter and was reorganized without any change whatever in the same.

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COPY OF THE ANNUAL ADDRESS BEFORE THE MARYLAND  
STATE BAR ASSOCIATION - FOURTH ANNUAL MEETING  
HELD AT THE ATLANTIC HOTEL - OCEAN  
CITY, MD. - JULY 26 AND 27, 1899.

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Second Day

The President - The Association will kindly come to order.

Gentlemen of the Association, I have now the pleasure of introducing to you Mr. John K. Cowen, who will deliver the Annual Address, on

THE BALTIMORE AND OHIO RECEIVERSHIP.

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Mr. President and Gentlemen of the Maryland State Bar Association:

I had some difficulty in choosing a topic to talk about. I first thought it might interest you to have a few observations on the question as to how far the constitution of the United States, without act of Congress, extends over our new colonial possessions. Is an inhabitant of the Phillipine Islands, or one born therein since the radification of the treaty with Spain, a citizen of the United States, entitled to all the privileges secured by the Constitution? Do the rules in regard to uniformity of tariff laws apply to Porto Rico and Hawaii? Can we make a different tariff for these islands than we do for the States? These, and other like questions, at some time, will arise. Their discussion now would be interesting, and might be entertaining. After some thought, I came, however, to the belief that it was best to leave those questions to experts and the courts, and that it would not be wise for me, at least, to try to anticipate the results of those slow processes of judicial inclusion and exclusion which will gradually but surely define the status of the colony and its inhabitants. Anyhow, I thought it better to follow the golden rule of rhetoric, which Professor Seely says is not laid down in the books, "know what you are talking about."

Faint header text, possibly a title or address, mostly illegible due to fading.

Main body of the document containing several paragraphs of extremely faint text. The text is mostly illegible but appears to be a formal letter or report. Some words like "I have" and "the" are faintly visible.

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Accordingly I have selected the "Baltimore and Ohio Receivership" as my theme.

I can say nothing new, because the press has given at one time or another an account of the various orders of court, whether entered by consent or after full argument at the Bar.

My aim will be, however, to present these orders as a whole; give their history and state the results of the Receivership.

I was struck in reading a little account by Augustine Birrell of the letters of Charles Lamb that have been lately edited by Canon Ainger, in which he gives his view as to how letters ought to be edited - give them just as they are - do not extract from them, and Canon Ainger has done that with Charles Lamb, with the single exception he omits the oaths, and he attempts to justify that on the general ground that "damns" have had their day. Birrell thinks that he ought not to have done even that.

I know in attempting to speak of the Receivership and giving an account of it as it ran through the courts, that it is going to be somewhat humdrum. I shall, however, follow the rule that Birrell gives for editing letters. I know that the subject does not lend itself quite so much to figures of rhetoric, as it does to figures of arithmetic, still it may be interesting to hear these sometimes.

The late Fitz-James Stephen was of the opinion, that after all is said that can be said in criticism of the law and jurisprudence of England compared with that of Rome, there was at the bottom of English law and jurisprudence more good vigorous sense than can be found in any other legal code, ancient or modern. We find this good sense of our law, and its ready adaptation to the needs of modern life manifested in the administration of a judicial tribunal of such an estate as the Baltimore and Ohio Railroad, involving more than \$200,000,000 of securities.

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On February 29, 1896, the Mercantile Trust Company of New York, having recovered a judgment against the Baltimore and Ohio Railroad Company for \$924,470.83, filed its creditor's bill against the company in the United States Circuit Court for the District of Maryland setting forth the company's insolvency, and making the usual allegations in relation to the necessity for, and propriety of a receivership for the company's property. Under this bill the court appointed Receivers for the entire property of the Company wherever owned or held, and similar bills were filed in the United States Circuit Courts for the different districts wherein the company's property was situated, and like orders of appointment were made in these different districts, the several courts recognizing, however, the United States Circuit Court for the District of Maryland as the court of primary jurisdiction to which the receivers were obliged to report all of their proceedings.

At the time of the appointment of receivers, the company owed for traffic balances, for materials and supplies and for operating indebtedness, substantially the sum of \$4,325,447. Most, if not all of this debt under the decisions of the United States Supreme and Circuit Courts, constituted a preferential lien upon the revenues of the road. The receivers, on taking charge, found the property of the company, notably its equipment and track, greatly in need of repair, the making of which would cost a very large sum of money. It was soon evident that if the receivers should apply all the net revenue of the road to the payment of the prior operating debt, and to the restoration of the track and equipment to its proper condition, nothing would be left to pay interest upon the mortgage liens of the company, and even if the net revenues were so applied it would take a very long time to make these payments and to restore the track and equipment.







The method of handling this operating debt, as well as the proper provision for the large expenditures necessary for the extraordinary repair of equipment and track, became the subject of discussion with the leading banking houses who had negotiated the mortgage bonds secured upon the main line of the company's road. It was clear that the debt for operation must be paid even in cases where it might not be legally a debt prior in its lien upon the revenues.

I remember stating to one of the bankers, when the subject was discussed, this fact: he said: "Well some of these men have taken notes; are not they deprived of their lien or quasi-lien, on the revenues of the road?" I told him I did not think the note made any difference, but I said "Mr.---- it don't make such difference about that question; a man we owe, for example, say \$200,000, and he has taken notes for it; it gives us a business during the year amounting to a million; do you think we can afford not to pay his debt?" He said, "Oh, no; you have got to pay these debts." The creditors who had furnished rails, ties, fuel and other essential supplies were the greater patrons of the road and the non-payment of their debt would have resulted in the road being deprived of their patronage and its consequent revenue to the amount of several hundreds of thousands of dollars per year. The receivers therefore, presented the case to the bankers who were interested in the mortgage bonds of the company, and at their suggestion made the application to the court for the issue of \$5,000,000 of receiver's certificates. The court, under date of May 21, 1896, authorized these certificates, and under the court's order they became a first lien upon the property of the company. The issue of these certificates met with the approval of the banking houses in interest and was not opposed, except in a pro forma way by the trustee under one of the main line mortgages.

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The effect of the issue of these certificates was, first, to prevent a further disastrous decline in the price of the company's mortgage bonds, and next, to enable the receivers to make the repairs and improvements to track and equipment essential to take care of the business, and at the same time to pay off an indebtedness to parties along the entire line of road, the payment of which secured a vast amount of business which would otherwise have been diverted or lost altogether.

The certificates issued under this order were dated June 1, 1896, payable three years after date, but redeemable one year after date, and upon any interest day thereafter, upon 30 days' notice.

On the same date, May 21, 1896, the receivers made their first report to the court in relation to the company's equipment and asked the authority of the court for the purchase of 75 locomotives and 5000 freight cars. The receivers asked authority to pay for this equipment through the issue of \$3,400,000 equipment bonds of the Baltimore and Ohio Equipment Company, (the stock of which company was owned by the Baltimore and Ohio Railroad Company) the equipment company agreeing to pledge, in addition to the equipment to be purchased, the equipment of the value of \$1,014,296.90 (upon which were unpaid liens of only \$91,284.47) to secure these bonds, which, which were to be guaranteed by the Baltimore and Ohio Railroad Company and the Receivers. The court authorized the issue of these bonds, guaranteed by the Baltimore and Ohio Railroad Company and the Receivers, dated July 1, 1896, due July 1, 1899, but redeemable July 1, 1898, or any interest date thereafter.

This arrangement secured for the road a large addition to its equipment without requiring any cash payment. We were awful short of cash. The great thing was to get along without making cash payments, for The securing of this equipment by bonds, thus guaranteed by the Baltimore and Ohio Railroad Company and the receivers, met with no objection from any of

THE HISTORY OF THE UNITED STATES OF AMERICA

FROM THE EARLIEST PERIODS TO THE PRESENT  
BY CHARLES C. SMITH  
IN TWO VOLUMES  
VOL. I

THE EARLY HISTORY OF THE UNITED STATES  
FROM THE DISCOVERY OF AMERICA TO THE  
DECLARATION OF INDEPENDENCE

CHAPTER I  
THE DISCOVERY OF AMERICA  
THE EARLY SETTLEMENTS  
THE STRUGGLE FOR INDEPENDENCE

CHAPTER II  
THE STRUGGLE FOR INDEPENDENCE  
THE DECLARATION OF INDEPENDENCE  
THE CONSTITUTION

CHAPTER III  
THE CONSTITUTION  
THE EARLY HISTORY OF THE UNITED STATES  
FROM THE DISCOVERY OF AMERICA TO THE  
DECLARATION OF INDEPENDENCE



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the parties in interest; one of the trustees merely making a formal dissent, no one making any real objection to the request of the receivers.

I will have something to say in a moment about trustees generally.

The Baltimore Belt Railroad Company is the corporation which built the rail connections between the main stem of the Baltimore and Ohio Railroad at Camden Station, Baltimore, and its Philadelphia division at Bay View, a costly piece of work, including the tunnel under the City of Baltimore. This company had issued its mortgage bonds in the amount of \$6,000,000. which were guaranteed by the Baltimore and Ohio Railroad Company, under a contract for operation.

At the time of the appointment of the receivers the work on this line was still incomplete. The Maryland Construction Company, whose stock was owned entirely by the railroad company, was the Construction Company building the Belt railroad, and owed substantially \$465,000. And the railroad company, that is, the B. & O., owed for the electric plant and the three electric motors it was using in the operation of the Belt tunnel, substantially the sum of \$390,000. Furthermore, in order to facilitate traffic through the tunnel, it was necessary to rearrange and make additions to Camden Station, at an estimated cost of about \$100,000. Total about \$955,000. The Maryland Construction Company held the title to the property, the cost value of which was about \$895,000., while the electric plant and motors represented a cost of about \$447,000. In order to provide for the payment of the indebtedness, and also to provide the necessary funds for the additional station facilities for the Belt Railroad, etc., the receivers asked for and received authority to issue receivers' certificates, dated December 1, 1896, payable three years after date, redeemable six months after date, or at any interest date thereafter, in amount, \$956,000., and secured by a special lien upon the properties of the Maryland Construction Company, the

The first part of the document is a letter from the Secretary of the State to the Governor, dated the 1st day of January, 1862. The letter is addressed to the Governor and is signed by the Secretary of the State. The letter contains the following text:

Dear Sir: I have the honor to acknowledge the receipt of your letter of the 29th inst. in relation to the application of the State of New York for the admission of the State of New York to the Union. I have the honor to inform you that the same has been referred to the Committee on the subject, and they have reported in favor of the admission of the State of New York to the Union. I have the honor to inform you that the same has been referred to the Committee on the subject, and they have reported in favor of the admission of the State of New York to the Union.

I have the honor to be, Sir, your obedient servant,  
Secretary of the State.

The second part of the document is a report from the Committee on the subject, dated the 1st day of January, 1862. The report is addressed to the Governor and is signed by the Chairman of the Committee. The report contains the following text:

Dear Sir: We have the honor to acknowledge the receipt of your letter of the 29th inst. in relation to the application of the State of New York for the admission of the State of New York to the Union. We have the honor to inform you that we have considered the application and we have reported in favor of the admission of the State of New York to the Union.

We have the honor to be, Sir, your obedient servants,  
Chairman of the Committee.



electric power and lighting plan, including the motors, and upon the portion of the addition to the Camden Station building and train shed, so far as the proceeds were used in said construction.

This action was taken after conference with all the parties who represented the mortgage indebtedness of the railroad company, and especially with the bankers who were interested in the same, and no opposition whatever was made to the issue of these certificates.

I am emphasizing from time to time the fact that there was no position for the sort of prevalent impression that existed that we were riding sort of rough-shod over everybody.

The Pittsburgh and Connellsville Railroad, extending from Cumberland, Md., to Pittsburgh, Pa., with several branches, is one of the leased lines of the Baltimore and Ohio Railroad Company, and its stock and floating indebtedness is all substantially held by the latter company, and its mortgaged indebtedness, excepting that secured by its first mortgage, had been guaranteed in one form or another by the Baltimore & Ohio R.R.Co. It is practically a branch or division of the Baltimore and Ohio Main Line, but covered by separate mortgages as follows:

- (1) - First Mortgage, not guaranteed by the  
Baltimore and Ohio Railroad Company ----- \$4,000,000.
- (2) - First Consolidated Mortgage (one million three hundred  
seventy-three thousand six hundred sterling) say, ---- \$6,648,224
- (3) - Second Consolidated Mortgage ----- \$10,000,000  
\$20,648,224

On November 4, 1896, the receivers asked the authority of court to issue \$650,000. of receivers' certificates, secured specially upon the Pittsburgh and Connellsville Railroad. The proceeds of these certificates were to be used to complete certain terminals at Pittsburgh, to construct second and third tracks essential for the operation of the line; to provide a new yard at Connellsville, complete certain reservoirs necessitated by

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RECEIVED  
MAY 15 1964  
FROM  
DR. J. H. GOLDSTEIN  
100 UNIVERSITY AVENUE  
CAMBRIDGE, MASSACHUSETTS 02138

RE: 13C NMR SPECTRA OF  
1,2-DICHLOROETHANE  
AND  
1,1-DICHLOROETHANE

Yours letter of May 10, 1964, is received.  
The spectra of 1,2-dichloroethane and 1,1-dichloroethane  
have been measured and the results are being prepared for  
publication.

Very truly yours,  
R. M. WAYNE  
Professor of Chemistry  
The University of Chicago  
5800 S. University Avenue  
Chicago, Illinois 60637



lack of proper and sufficient water for locomotives at certain seasons, and to make a change in the line, involving the construction of a tunnel, in order to avoid "Fall's Cut"; to erect certain new steel bridges, and to arch certain of the tunnels upon the line. All of these improvements were absolutely essential to the safe and successful operation of the road.

The Receivers consulted with the banking firms who represented the two consolidated mortgages, and these firms gave their assent to the issue of these certificates, one of the firms having first sent their own expert over the road to examine the same, with the view of seeing if, in his judgment, the improvements were necessary or wise. No opposition was made by the trustees of the first consolidated mortgage but the trustee under the second consolidated mortgage deemed it his duty to make objection, notwithstanding the banking firm which had in its possession more than a majority of the bonds, distinctly joined in the request for the issue of the certificates. The court, after hearing argument of counsel, among whom was Mr. Cheats, now Ambassador to England, who appeared for the bankers requesting the issue of the certificates, authorized their issue under orders of court of November 27, and December 29, 1896. The certificates under these orders were issued, dated January 1, 1897, payable three years after date, but redeemable one year after date or at any interest date thereafter.

No money which the receivers expended produced better or more important results than the proceeds of these certificates. Hardly had the new line at Fall's Cut been completed when the mountain crushed down, completely filling up the old cut, an occurrence which had it taken place before the completion of the revised line would have blocked the entire Pittsburgh and Connellsville Railroad for four or five months and would have cost the company not less than one million dollars in loss of revenue.



On January 25, 1897, the court authorized the receivers to extend for a period of three years the car trust obligations of the company, which matured January 1, 1897, in amount, \$250,000.

On the 20th of April, 1897, the receivers obtained authority of the court to make the usual agreements for the purchase of 250 or 260 coal cars through the Consolidation Coal Company and other coal companies. Through these and subsequent agreements of similar character, the receivers acquired in all 650 coal cars, the coal companies paying for the same and the Baltimore and Ohio Railroad Company and the receivers using the cars, and paying mileage for their use, the railroad company and the receivers acquiring title to the cars when the mileage so paid should amount to the cost of the cars and interest thereon. In other words, the hiring or renting of the cars was used to pay the purchase price. The receivers made no cash payment on account of the cars and were only obligated to pay the mileage on the cars. On the 30th day of January, 1897, the receivers under the authority of the court made an arrangement with the Fairport Warehouse and Elevator Company, to advance \$50,000. as the first payment on account of 1000 box cars purchased from the Missouri Car and Foundry Company. The remainder of the purchase price, \$450,000., was arranged through car lease warrants of one of the leased lines of the company, running ten years, one-tenth payable in each year. The obligation of the receivers in connection with the acquirement of these cars, consisted only in the payment of interest upon the lease warrants and such portion of the principal as might fall due during the period of receivership. The mileage on the cars more than equaled the amount of these annual payments and the interest. It is hardly necessary to add that there was no opposition made to the acquisition of this equipment upon these terms.



The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. The second part outlines the procedures for handling discrepancies and errors, including the steps to be taken when a mistake is identified. The third part provides a detailed explanation of the accounting cycle, from identifying the accounting entity to preparing financial statements. The fourth part discusses the role of the accountant in providing financial information to management and other stakeholders. The fifth part covers the ethical responsibilities of accountants and the importance of integrity in their work. The sixth part discusses the impact of technology on accounting and the need for continuous learning and adaptation. The seventh part provides a summary of the key points discussed in the document. The eighth part contains a list of references and sources used in the document. The ninth part contains a list of appendices and additional information. The tenth part contains a list of contact information for the author and other relevant parties.



In June, 1897, the receivers applied for authority to purchase fifty thousand nine hundred and thirty-seven tons of steel rails to be used in the repair of the track on the various divisions of the road, and they asked authority to pay for forty thousand tons of the rail to be laid on the main line by the issue of receivers' certificates, payable out of the receipts of the main line, one-third thereof in each year. These certificates amounting to \$680,000. - \$17 a ton - the lowest price that steel rails had ever reached up to that time. These rails purchased for renewal rails on the main line, while immediately necessary, covered renewals which in the ordinary course of operation would be distributed through three years, and the receivers, therefore, deemed it proper to charge the revenues for the two succeeding years with a proportionate cost of the rails and to issue receivers' certificates accordingly. This petition of the receivers aroused opposition, and some of the representatives of the mortgage bondholders appeared in court and vigorously contested the application of the receivers, but on July 10, 1897, the court authorized the purchase of the rails and the issue of the receivers' certificates in payment of the forty thousand tons, which certificates were duly issued dated July 1, 1897, in amount \$680,000., one-third thereof to be paid out of the revenues of each of the three succeeding years and redeemable one year after date, or at ~~any~~ interest period thereafter.

It is hardly necessary to say that subsequent events have justified the order of court authorizing the issue of these certificates against the opposition of a small portion of the bondholders.

A curious fact is that today we are selling old rails which were taken out of the track in order to put new rails in, and getting more for the old rails than we paid for the new.

On June 28, 1897, the receivers applied to the court for authority



to acquire 3000 box cars, 750 hopper gondola cars, and 40 locomotives, the aggregate cost of which was \$2,383,050.

The proposition of the builders was to receive the regular equipment trust or lease warrants executed by the Baltimore and Ohio Railroad Company, and without requiring any cash payment on account, the receivers' direct obligation in connection therewith being to pay the interest upon the lease warrants during the receivership, and, in the case of one lot of cars, to pay the lease warrants falling due for three years, aggregating \$467,100., and in the case of a second lot of cars, the lease warrants maturing in the succeeding two years aggregating \$70,000. and in the case of the locomotives, to pay the warrants maturing at the end of one year, aggregating \$67,270.

The absolute obligation of the receivers, therefore, for this equipment, so far as the principal was concerned, amounted to \$584,370.

The car companies and locomotive builders were willing to accept the obligation of the company with this partial obligation on the part of the receivers, for the indebtedness, knowing full well that any purchaser of the road would not attempt to operate the same without completing the purchase of these cars and engines, which were so essential for the operation of the line.

This application, in the matter of the steel rails, excited the opposition of the representatives of certain of the mortgage bonds, but the court authorized the acquisition of the equipment by the issue of the Car Lease Warrants of the company, and the assumption by the receivers of the limited obligation I have named.

This and the application of the receivers in the matter of purchase of rails, (that point I emphasize), are the only ones that were actively opposed by any of the mortgage bondholders and the gross obligation of the receivers under these two orders which could take precedence over the mortgage bonds, aggregated \$1,264,370.







In January, 1898, the receivers applied to the court for authority to contract for the purchase of 3250 box cars and 1900 coal cars, under the following circumstances:

(A) The receivers negotiated a contract with the Pullman Palace Car Company, by the terms of which that company agreed to build 3000 thirty-ton box cars and lease them to the Baltimore and Ohio Railroad Company for ten years, at a quarterly rental, with the option to purchase the cars at any interest date after one year, upon payment of the agreed purchase price, with interest thereon at 3% per annum, less the sum of the rental payments previously made. The quarterly rental payment was equivalent to 2 1/2 % of the purchase price, with interest on the entire cost of 5%. The receivers became parties to the contract binding themselves only to the extent of guaranteeing to the lesser, the Pullman Palace Car Company, the performance for two years and during the receivership of the obligations of the lessee, the Baltimore and Ohio Railroad Company; that is to say, the obligation of the receivers as far as the principal of the debt was concerned, consisted only in the agreement to pay 20% of the principal, to wit: \$321,000.

The usual mileage, six mills per mile run, has more than equaled the interest on the lease warrants and the principal required to be paid under the contract.

(b) The Pittsburg Junction Railroad, a connecting line between the Baltimore and Ohio and the Pittsburg and Western Railway at Pittsburg, agreed to purchase one thousand thirty-ton coal cars and two hundred and fifty thirty-ton box cars, and to give its lease warrants therefor, one-seventh, payable in each year. The receivers agreed to use these cars and pay mileage thereon at the customary rate, but making no obligation to pay any portion of the principal, except pledging certain rebate charges to which the company was entitled under an arrangement between the Pittsburg

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DEPARTMENT OF CHEMISTRY  
CHICAGO, ILLINOIS

TO THE HONORABLE SENATE OF THE UNIVERSITY OF CHICAGO  
I HEREBY RECOMMEND THAT THE FOLLOWING BE GRANTED THE DEGREE OF  
DOCTOR OF PHILOSOPHY  
IN CHEMISTRY  
TO  
[Name]

for the thesis entitled  
[Title of Thesis]  
written under the supervision of  
[Supervisor's Name]  
and submitted in partial fulfillment of the requirements for the  
degree of Doctor of Philosophy in Chemistry.  
The thesis is hereby recommended for the degree of Doctor of  
Philosophy in Chemistry by the Department of Chemistry.  
[Signature]

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the  
Department of Chemistry at Chicago, Illinois, this [Date] day of [Month],  
19[Year].  
[Signature]

Junction Railroad and the Baltimore and Ohio Railroad. That arrangement was as follows: The Junction Railroad was entitled to receive \$2.00 for each loaded car passing over its tracks to or from the Baltimore and Ohio Railroad, providing, however, that if in any year the gross income to the Junction Railroad from such charge shall reach \$270,000, then the charge for any additional cars to be \$1.50 per car, and in the event of the annual income exceeding \$300,000. the charge to be reduced to \$1.00 per car.

Under this agreement, the Baltimore and Ohio Railroad became entitled to some rebates annually, and under the arrangement for the purchase of these cars, it was agreed that these rebates should be applied to the payment of the principal of the cost of the cars, should the mileage earned by said cars be not sufficient to pay the interest and the principal as above stated. The receivers had no other obligation in reference to this equipment.

(c) The Monongahela River Railroad, connecting with the Baltimore and Ohio at Fairmont and Clarksburg, and certain coal companies in West Virginia, together, purchased nine hundred coal cars, which the receivers under orders of court, were authorized to use upon payment of the usual mileage therefor, with the condition that when such mileage equalled the cost of the cars and interest thereon, the cars became the property of the railroad company.

The receivers thus secured by the arrangement I have described, three thousand three hundred and fifty box cars and one thousand nine hundred coal cars, while their obligations for payment of principal amounted to but \$321,000, and the contingent obligations as heretofore explained. The order of court was entered February 5, 1898, and met with no opposition from any of the parties in interest.

I remember distinctly of presenting this subject of acquiring equipment to the bankers (especially the bankers who had opposed the issue of certificates for steel rails and other equipment) which would cost in round numbers nearly



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16  
\$3,000,000. for which the obligation of the receivers was but a little over \$300,000. and the bankers said: "Well, won't the court when the sale comes off regard these equipment obligations as having some lien on the road; at least, won't they say there is a moral obligation to take care of that debt and pay the balance?" I said "No" "Well," they said, "how do you get the equipment; how do you get any person to sell you equipment that way?" "Why, very simple." They said "How do you get equipment costing \$3,000,000. without pledging the estate to cover \$300,000?" I said, "It is very simple; the builder of this equipment knows more about this road than the receivers do, and when that special point arises he knows exactly what is in it, and he knows that there is not a man big enough fool in the United States to buy the Baltimore and Ohio Railroad and not complete the purchase of this equipment by paying therefor." "Oh," they said, "We suppose there is something in that," and they made no further objection.

Under date of June 22, 1898, the various parties in interest agreed upon a plan for the reorganization of the Baltimore and Ohio Railroad Company, and since that date the receivers have acquired equipment under car trust leases, made by the railroad company, to which the receivers were parties, only to the extent of agreeing to comply during the receivership with the obligations the company had made.

All of these arrangements were made under authority of court, and of course, without any opposition, but with the approval of all parties in interest. The amount of the equipment so acquired was six thousand box cars, two thousand five hundred coal cars, five thousand steel coal cars and eighty locomotives.

There were sundry other orders of court authorizing the acquisition of small lots of passenger, freight and marine equipment, which I have not thought it necessary to go into the details of.

During the receivership of three years and four months the railroad



earned \$92,899,546.89, including \$3,127,827.64 miscellaneous income, and there was spent for operating expenses, including large extraordinary outlays for maintenance of road and equipment, \$68,162,583.50, leaving a net of \$24,736,963.39

In addition to the extraordinary sums spent for maintenance and charged to operating expenses, there were improvements and additions made to the road costing \$4,018,652.85. These improvements were paid for as follows:

From the terminal mortgage fund, which was a sum in bank, applicable only to improvements, the proceeds of sale of terminal mortgage bonds, \$1,081,409.37; from receivers' certificates, \$483,565.05; from earnings of receivers and assets in their hands, \$2,453,678.43.

The receivers acquired for the company, in the manner detailed, the following equipment: two hundred and twenty-seven engines, thirty-five passenger cars, thirty thousand seven hundred and three freight service cars.

The total costing \$19,790,456.46, and marine equipment costing \$585,504.03.

It will thus be seen from this simple story of arithmetical detail:

(1) That the receivers and company's obligations, whether in the form of receivers' certificates or car trust warrants, whose payment was in part secured by the receivers' agreements, amounted to \$25,936,346.

That objections to the issue of these obligations were made only in two cases, (1) certificates issued for steel rails, amounting to \$630,000; (2) the certificates for three thousand box cars and seven hundred and fifty coal cars, and forty locomotives, amounting to \$2,385,050. The receivers' absolute obligation under the latter head, however, amounted to only \$594,370, and that the issue of all the other obligations was unopposed.

(2) That equipment costing about \$19,700,000 was secured for the estate, while the receivers' obligations in addition to the \$3,400,000 equipment company bonds were for only \$995,370, and for the payment during the





18

receivership of the usual mileage rental, which is paid for the use of equipment when hired from other lines.

(3) That the improvements made in the line, including the additional equipment, which were paid for out of earnings, or by the issue of obligations, I have described, would today cost at least \$8,000,000. in excess of what the receivers paid.

And now what have been the results of this administration of a great trust by the United States Circuit Court for the District of Maryland:

(1) Every bondholder of the Baltimore and Ohio Railroad Company has received new securities which substantially pay his full debt. In other words, the bondholders have been paid in full.

(2) The floating debt creditors have received every cent of their indebtedness.

(3) The first preferred stockholders have received in cash seventy-five per cent of the par value of their stock, the court overruling their claim of preference over the bondholders and creditors.

I have not thought it proper to go into the disputed question of preferred stockholders, because that was a contest between lienors, and did not relate to the administration of the estate by the receivers.

The second preferred stockholders have received securities, which, after payment of the assessment, net about \$70, per share, at the present market, and at times over \$80 net could have been realized.

(4) The common stockholders, instead of being wiped out, have received their common stock in the new company, upon paying an assessment, the net amount of which (because of the value of the securities received for such assessment) would not exceed five or six dollars.

(5) The company saves its old charter for whatever value may attach to it.

The first of these is the fact that the  
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It is true, that although this paper deals with the judicial administration of a great trust, it does not present any fine hair-splitting legal questions, but it shows that in American jurisprudence there has been evolved a method whereby the courts can take a great property whose administration is full of difficulty, and they can so rehabilitate it that substantial justice may be done to bondholders, floating debt creditors and stockholders; that this can be done without violating any of the well defined rights of any creditor, and that it is the duty of the courts, in administering these great trusts, to place the property in the position where its possible earning capacity can be shown, and consequently a fair and just reorganization can be made.

I remember, during the contest, talking to two of the leading lawyers in the United States; who told me that they liked me very much, but that I did not know what my position as receiver was; that I did not understand it; that I had nothing to do but to maintain the status quo; that was about the time of the Greek war. Now, I said, that "status quo" is a very nice Latin term, but what does it mean applied to a railroad - especially a railroad like the Baltimore and Ohio? There are five thousand cars that were lying idle for want of repairs, two hundred and twenty-five engines, and other equipment of the road that had not turned a wheel for months; is the "status quo" preserved by keeping them still? The "status quo" of a railroad is being taken from it every day in the week by ambitious active competitors, unless you keep in the fore front and in the advance. This railroad has \$150,000,000 in ties and rails and a little real estate, whose value is nothing but what the junk shop will give it until it is vitalized by equipment; you may save first mortgage bonds or something of that kind, but you have got \$150,000,000 of dead property; I tell you vitalize it by equipment and the "status quo" of the

The first part of the book deals with the early years of the nation, from the time of the first settlers to the end of the eighteenth century. It covers the period of the struggle for independence and the formation of the new government.

The second part of the book deals with the years from 1789 to 1861, a period of great change and growth. It covers the early years of the republic, the expansion of the territory, and the struggle over slavery.

The third part of the book deals with the years from 1861 to 1898, a period of war and reconstruction. It covers the Civil War, the Reconstruction era, and the Spanish-American War.

The fourth part of the book deals with the years from 1898 to 1918, a period of progress and reform. It covers the Progressive Era, the Spanish-American War, and the First World War.

The fifth part of the book deals with the years from 1918 to 1945, a period of crisis and change. It covers the First World War, the Great Depression, and the Second World War.

The sixth part of the book deals with the years from 1945 to the present, a period of peace and progress. It covers the Cold War, the Korean War, the Vietnam War, and the present day.

railroad is a going concern, is bound to improve, and it should not be left to continue in this condition. As a simile I said, you may just as well ask Prince Constantine at the head of the Greek troops on the Greek hills to hold his "status quo", without giving him ammunition and reinforcements, while the overwhelming Turkish legions were marching on him.

Next, I draw the conclusion that while the trustees are the technical defenders and enforcers of the rights of the bondholders, the real parties in actual practice who defend and enforce these rights are the bankers who have negotiated the bonds. The great banking houses of Speyer and Company, Speyer Bros., J. P. Morgan & Co., J. S. Morgan & Co., Brown Bros. and Company, and Baring Brothers & Co., who negotiated the B. & O. bonds, looked after the interest of the bonds they respectively represented just as closely as if they had owned every one of the securities themselves. While these firms were not the technical parties to the cause in which the receivers were appointed, they were the actual defenders of their respective bondholders.

It is well that it is so; the technical trustee, my experience is, in this and other cases, ordinarily thinks he has nothing to do but object, and that he must take no affirmative step for fear of risk involved. The banker knows that many affirmative acts must be done in the administration of such an estate, and does not fear to advise their doing.

When the court has done its work, and put the property into the position where its fair earning capacity could be shown, it became evident that no one interest need be sacrificed, and then was brought into play that wonderful and delicate machinery of modern commerce, a part of what Mr. Bagshot calls the "lending apparatus of the world," whereby the distribution of more than \$200,000,000 of securities was obtained by the great banking houses, Speyer Brothers, Speyer & Co., and Kuhn, Loeb & Co.





They placed their names on a Reorganization Agreement, and at once the "Loan and Investment Fund" and the "Speculative Fund" of two continents were drawn on to make the plan a success.

Now I have stated in a humdrum way the general results of this receivership and administration. It is a good deal like Dr. McIlvain used to tell us at college, that it was advisable for a man to go through college anyhow, whether he got a great deal out of it or not; he was advised to go through and find out through the curriculum there what there was in it; there was not so much in it after all, but it was essential for him to know that there was not so much in it.

You observe that there have not been many fine legal distinctions or metaphysical questions of law, which are so interesting to the legal mind, which had to be determined, and yet it was the administration of a great property and a great trust.

I have said that the securities amounted to \$200,000,000; they did, upon that part of the property immediately in charge of the court, but that which was outside of the court's jurisdiction and belonged to the subordinate companies, and which was brought into the fold by the administration of this trust, amounts to a \$100,000,000 more, so that practically there was the administration of an estate involving \$300,000,000 of securities, and it has been administered by an American tribunal in the way I have detailed, without violating any creditor's rights, and so as to do exact justice to all parties in interest.

I think it is Mr. Bagshot who says that there are two classes of judges; there are judges for the parties and judges for the lawyers. The judges for the parties are those who have a nice perception of the facts; they have a sagacity for determining the exact facts and for applying certain principles to those facts, and they do not go beyond them; they do not decide principles, as we would say; they do not go beyond the particular case. Lord

The first of these is the fact that the  
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Lyndhurst, he says, was such a judge. A wise man who had a good case would want to go before Lord Lyndhurst.

There is another class who are judges for the lawyers, and not only see that case, but see in that case some principle by which they want to settle the law for all future time and future cases; the subject is one over which they have been brooding, and they therefore take the case in hand and settle the law for the future by it.

In the administration of such a trust as this, as you can see, it calls for a great deal of important work. It was largely a business concern; there had to be judges who could see the precise situation; that might never occur again; they had a great business before them and they endeavored to do the things which that business calls for. They were judges for the parties. There are, to use an illustration from the same authority, two kinds of minds; they are like teeth; they are incisors and grinders. There are minds that apply a long piercing argument to the subject, so that they get to the bottom of it; while there are others who keep a topic under the pressure of a strong jaw-like understanding, smooth out its inequalities and straighten out its intricacies.

Sydney Smith says Bagshot was a molar; this is the type of man required for the administration of a trust of this kind which requires the strong jaw-like understanding to take hold of the particular questions and particular difficulties that had to be solved at that particular time and solve them without going further.

Permit me to make an observation that may seem far afield, but I think that it is a compliment to American jurisprudence, that it handles the largest and smallest subjects, to use a Scriptural phrase, "from the cedar of Lebanon to the hyssop on the wall;" that it does justice in the smallest cases and that it can take the assets of a great corporation like the B. & O. R. R. Co., involving hundreds of millions of dollars and successfully

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administer these assets in accordance with modern requirements. I regard it as exhibiting the ready adaptation of the American court and the American lawyer to the needs of modern life. And that is my view about the American, in every aspect, whether it is the American business man or the American mechanic or the American judge. And in view of that it is pleasant to think what the new and younger lawyers will have to do in the future in making adaptations to the new conditions that are arising in our life. The younger minds that are coming to and entering the profession, will have new questions to solve, that will arise in various ways; they will arise out of the large aggregations of capital known as trusts, which will come forward by-and-by. They will arise particularly in the new colonial possessions which we have taken. Whatever you may think, and probably the majority of you entertain the views of my good friends of "The Sun," of the great unwisdom of this country embarking in colonial expansion; it has done it, and will, whatever my friends may say, continue to do it; it is there. Take Cuba, so close to us, instead of being a place for a million or a million and a half of people, the child is now living that will see ten millions of people on that fertile isle. As Mr. Robert Ingersoll said: "Cuba is the apple of the sea." It is under American jurisdiction, and, in one form or another, it will continue to be so. You can no more shake off these colonies, no matter how much you think they ought to be shaken off, than you can shake off one of the states. An Englishman in the last century might just as well have said to William Pitt to hand back to France the valley of the St. Lawrence and the Canadian Dominion, and that great stretch from the Ohio to the Mississippi, when Wolfe lay dying on the heights of Abraham, as for an American to ask this great republic to give up what it has taken. You might as well ask Robert Clive to quit India when Plassey was won; or ask Cromer to get out of the valley of the Nile and hand back the land of the Pharaohs again to disorder and rapine; you may



1870  
The first of these is the fact that the  
country is a very fertile one and  
the soil is very rich. The second  
is that the climate is very healthy  
and the air is very pure. The third  
is that the water is very soft and  
the food is very good. The fourth  
is that the people are very kind  
and the manners are very good.  
The fifth is that the government  
is very wise and the laws are  
very good. The sixth is that the  
religion is very pure and the  
morals are very good. The seventh  
is that the arts and sciences are  
very advanced. The eighth is that  
the commerce is very active and  
the industry is very great. The  
ninth is that the population is  
very numerous and the country is  
very large. The tenth is that the  
country is very beautiful and the  
scenery is very grand.

tell Kitchener to leave Khartoum and let the darkness of the blackest barbarian once again settle over the Soudan, but you cannot tell this giant Republic, as much as you may wish to tell it, to leave the Antilles and the Orient.

Now whatever may be your views as to the wisdom or unwisdom matters not in the administration of these great colonies; they are there at hand for the ready adaptation of the correct rules of civil conduct which the American lawyer has shown and of which I have given you a specimen today. The American lawyer will have much to do with shaping the laws, but more particularly with shaping the judicial institutions in these new possessions, which will become the foundation and security to property and life in the future.

I have had experience in two Latin-American countries, and the great difficulty is the want of good judicial tribunals and judicial honesty, and judicial integrity. The foundations of our possessions in these new lands and their future progress in prosperity, is going to be the adaptation by American lawyers of the local laws and the local customs to the local conditions, with absolute honesty and integrity, and with that fine sagacity that characterizes the American Bar.

Let me close by quoting a brilliant passage from Victor Hugo, a favorite author of mine; he says: "The power of Greece to throw out light is marvelous. Greece did not colonize without civilizing. An example which many a modern nation would do well to follow. To buy and sell is not all. Tyre bought and sold; Bearytus bought and sold; Sidon bought and sold; Sarepta bought and sold. Where are those cities now? Athens taught, and she is to this hour one of the capitals of human thought. The grass is growing on the six steps of the tribune where spoke Demosthenes. The Ceramicus is a ravine half choked with the marble dust which was once the palace of Cecrops. The Odeon of Herod Atticus, at the foot of the Acropolis, is now but a ruin, on which falls at certain hours the imperfect shadow of the

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Parthenon; the Temple of Theseus belongs to the swallows; the goats browse on the Pnyx; still the Greek spirit lives; still Greece is queen; still Greece is goddess; a counting-house passes away; a school remains."

Such is Hugo's description of the Greek colonization.

Today we stand to give to our colonies a higher civilization than Greece gave to hers. We send the counting house, but we send also the school; the factory and the trolley go there, but so do the academy and the portico. The railroad goes; the second of the great civilizers, but it goes with the alphabet and the foundation of the whole is the security of school and the academy; the security of factory and the trolley, the security of property, the security of business and the security of life, founded upon law administered and shaped by American Lawyers.

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Main body of faint, illegible text, appearing to be several paragraphs of a document.







B+C 122

COPY OF AN ADDRESS BY THE

HON. JOHN K. COWEN

BEFORE THE MARYLAND STATE BAR ASSOCIATION

AT OCEAN CITY, MARYLAND

JULY 26 AND 27, 1899

ON

THE BALTIMORE AND OHIO RECEIVERSHIP





RECEIVERSHIP

The Receivership of The Baltimore & Ohio was made effective as of February 29, 1896, the Mercantile Trust Company of New York recovering a judgment for \$924,470.83, filed its creditor's bill against the Company in the United States Circuit Court for the District of Maryland. The creditor's bill set forth the Company's insolvency and prayed for appointment of Receivers, the late John K. Cowen and Oscar G. Murray being so appointed.

Every action of the Receivers was taken under orders of the Court with no opposition and with approval of all parties interested.

There were a number of different issues of Receivers' Certificates for liquidation of unpaid bills, purchase of equipment, additions and betterments, etc.

RECEIVERS' CERTIFICATES AND OTHER LIABILITIES

Receivers' Certificates Prior to January, 1899:

No.1 -For back debts.....	\$5,000,000.00
No.2 -Account Maryland Construction Co.for Belt Line Improvements.....	952,000.00
No.3 -Account P. & C. for improvements.....	650,000.00
Special Account Purchase 4 Car Floats, N. Y. Harbor.....	57,600.00
Purchase Steel Rail, 40,000 Tons - Repair of Track.....	680,000.00
	<u>\$7,339,600.00</u>

Lease Warrants Prior to January, 1899:

Pullman Palace Car Co.- 3,000 Box Cars.....	\$1,557,000.00
Pullman Palace Car Co.- 3,000 Box Cars.....	1,605,000.00
South Baltimore Car Works- 250 Coal Cars.....	89,500.00
Michigan Peninsular Car Co.- 500 Gondola Cars.....	250,000.00
Burnham Williams & Co.- 25 Locomotives.....	280,000.00
Pittsburgh Locomotive Works - 16 Locomotives.....	169,050.00
United States Express Co.- 10 Express Horse Cars.....	32,548.00
	<u>\$3,983,098.00</u>

Lease Warrants Subsequent to January, 1899:

Mercantile Trust Co. - 3,000 Box Cars, 30 Locomotives.....	\$1,857,000.00
500 Gondola Cars.....	250,000.00
Maryland Trust Co.- 3,000 Box Cars, 1,000 Gondola Cars, 1,000 Coal Cars, 50 Locomotives.....	3,283,000.000
	<u>\$5,390,000.00</u>

Grand Total.....\$16,712,698.00

During the Receivership of three years and four months The Baltimore & Ohio earned \$92,899,547, including \$3,127,828 miscellaneous income. There was expended during the same period for operating expenses, including extraordinary outlays for maintenance of road and equipment, \$68,162,584, leaving a net of \$24,736,963.

In addition to the amount spent for maintenance and charged to operating expenses, there were additions and betterments made to the road amounting to...  
\$ 4,018,653  
 and additions to rolling equipment of.....  
19,790,456  
 and to marine equipment of.....  
685,504  
 or total of.....  
\$24,494,613

The Department of Defense is pleased to announce that it has received a contract from the Department of Energy for the development of a new type of nuclear reactor. This reactor is designed to be more efficient and safer than the current models. The contract is valued at \$100 million and will be awarded to the contractor who can complete the project within the specified time frame. The Department of Defense is committed to supporting the development of advanced nuclear technology to meet the needs of the nation.

CONFIDENTIAL - SECURITY INFORMATION

1. The Department of Defense is pleased to announce that it has received a contract from the Department of Energy for the development of a new type of nuclear reactor. This reactor is designed to be more efficient and safer than the current models. The contract is valued at \$100 million and will be awarded to the contractor who can complete the project within the specified time frame. The Department of Defense is committed to supporting the development of advanced nuclear technology to meet the needs of the nation.

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The terms of the reorganization were:

(a) Every bondholder received new securities which substantially paid his full debt - in other words, the bondholders were paid in full.

(b) The floating debt creditors were paid in full.

(c) First Preferred Stockholders received in cash 75% of par value of their stock, the court having overruled their claim of preference over the bondholders and creditors.

Second Preferred Stockholders received securities, which, after payment of the assessment, netted about \$78 per share at that time.

(d) Common Stockholders, instead of being wiped out, received stock in the new Company upon paying an assessment, the net amount of which did not exceed five or six dollars, taking into account the value of securities received for such assessment.

(e) The Company saved its old charter and was reorganized without any change whatever in the same.







COPY OF THE ANNUAL ADDRESS BEFORE THE MARYLAND  
STATE BAR ASSOCIATION - FOURTH ANNUAL MEETING  
HELD AT THE ATLANTIC HOTEL - OCEAN  
CITY, MD. - JULY 26 AND 27, 1899.

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Second Day

The President - The Association will kindly come to order.

Gentlemen of the Association, I have now the pleasure of introducing to you Mr. John K. Cowen, who will deliver the Annual Address, on

THE BALTIMORE AND OHIO RECEIVERSHIP.

---

Mr. President and Gentlemen of the Maryland State Bar Association:

I had some difficulty in choosing a topic to talk about. I first thought it might interest you to have a few observations on the question as to how far the constitution of the United States, without act of Congress, extends over our new colonial possessions. Is an inhabitant of the Phillipine Islands, or one born therein since the radification of the treaty with Spain, a citizen of the United States, entitled to all the privileges secured by the Constitution? Do the rules in regard to uniformity of tariff laws apply to Porto Rico and Hawaii? Can we make a different tariff for these islands than we do for the States? These, and other like questions, at some time, will arise. Their discussion now would be interesting, and might be entertaining. After some thought, I came, however, to the belief that it was best to leave those questions to experts and the courts, and that it would not be wise for me, at least, to try to anticipate the results of those slow processes of judicial inclusion and exclusion which will gradually but surely define the status of the colony and its inhabitants. Anyhow, I thought it better to follow the golden rule of rhetoric, which Professor Seely says is not laid down in the books, "know what you are talking about."

RESULTS

The following table lists the chemical shifts (in ppm) of the

protons in the various compounds studied. The values are given in parentheses for the compounds which were not available in pure form.

Chemical shifts are given in ppm.

TABLE I  
Chemical shifts (in ppm) of the protons in the various compounds studied.

Compound

Chemical shift (ppm)

1. Benzene

7.26 (benzene-d<sub>6</sub>)

2. Toluene

7.26 (aromatic protons), 2.37 (methyl protons)

3. Ethylbenzene

7.26 (aromatic protons), 2.60 (methylene protons), 1.20 (methyl protons)

4. Propylbenzene

Accordingly I have selected the "Baltimore and Ohio Receivership" as my theme.

I can say nothing new, because the press has given at one time or another an account of the various orders of court, whether entered by consent or after full argument at the Bar.

My aim will be, however, to present these orders as a whole; give their history and state the results of the Receivership.

I was struck in reading a little account by Augustine Birrell of the letters of Charles Lamb that have been lately edited by Canon Ainger, in which he gives his view as to how letters ought to be edited - give them just as they are - do not extract from them, and Canon Ainger has done that with Charles Lamb, with the single exception he omits the oaths, and he attempts to justify that on the general ground that "damns" have had their day. Birrell thinks that he ought not to have done even that.

I know in attempting to speak of the Receivership and giving an account of it as it ran through the courts, that it is going to be somewhat humdrum. I shall, however, follow the rule that Birrell gives for editing letters. I know that the subject does not lend itself quite so much to figures of rhetoric, as it does to figures of arithmetic, still it may be interesting to hear these sometimes.

The late Fitz-James Stephen was of the opinion, that after all is said that can be said in criticism of the law and jurisprudence of England compared with that of Rome, there was at the bottom of English law and jurisprudence more good vigorous sense than can be found in any other legal code, ancient or modern. We find this good sense of our law, and its ready adaptation to the needs of modern life manifested in the administration of a judicial tribunal of such an estate as the Baltimore and Ohio Railroad, involving more than \$200,000,000 of securities.



The first part of the history of the United States of America is the story of the early years of the nation, from the time of the first settlement in 1607 to the time of the American Revolution in 1776. The second part of the history is the story of the years from 1776 to 1861, when the United States was a young nation, struggling to establish its identity and its place in the world. The third part of the history is the story of the years from 1861 to 1865, when the United States was a young nation, struggling to establish its identity and its place in the world. The fourth part of the history is the story of the years from 1865 to 1877, when the United States was a young nation, struggling to establish its identity and its place in the world. The fifth part of the history is the story of the years from 1877 to 1899, when the United States was a young nation, struggling to establish its identity and its place in the world. The sixth part of the history is the story of the years from 1899 to 1917, when the United States was a young nation, struggling to establish its identity and its place in the world. The seventh part of the history is the story of the years from 1917 to 1945, when the United States was a young nation, struggling to establish its identity and its place in the world. The eighth part of the history is the story of the years from 1945 to 1963, when the United States was a young nation, struggling to establish its identity and its place in the world. The ninth part of the history is the story of the years from 1963 to 1979, when the United States was a young nation, struggling to establish its identity and its place in the world. The tenth part of the history is the story of the years from 1979 to 1991, when the United States was a young nation, struggling to establish its identity and its place in the world. The eleventh part of the history is the story of the years from 1991 to 2001, when the United States was a young nation, struggling to establish its identity and its place in the world. The twelfth part of the history is the story of the years from 2001 to 2009, when the United States was a young nation, struggling to establish its identity and its place in the world. The thirteenth part of the history is the story of the years from 2009 to 2017, when the United States was a young nation, struggling to establish its identity and its place in the world. The fourteenth part of the history is the story of the years from 2017 to 2021, when the United States was a young nation, struggling to establish its identity and its place in the world. The fifteenth part of the history is the story of the years from 2021 to the present, when the United States was a young nation, struggling to establish its identity and its place in the world.



On February 29, 1896, the Mercantile Trust Company of New York, having recovered a judgment against the Baltimore and Ohio Railroad Company for \$924,470.83, filed its creditor's bill against the company in the United States Circuit Court for the District of Maryland setting forth the company's insolvency, and making the usual allegations in relation to the necessity for, and propriety of a receivership for the company's property. Under this bill the court appointed Receivers for the entire property of the Company wherever owned or held, and similar bills were filed in the United States Circuit Courts for the different districts wherein the company's property was situated, and like orders of appointment were made in these different districts, the several courts recognizing, however, the United States Circuit Court for the District of Maryland as the court of primary jurisdiction to which the receivers were obliged to report all of their proceedings.

At the time of the appointment of receivers, the company owed for traffic balances, for materials and supplies and for operating indebtedness, substantially the sum of \$4,325,447. Most, if not all of this debt under the decisions of the United States Supreme and Circuit Courts, constituted a preferential lien upon the revenues of the road. The receivers, on taking charge, found the property of the company, notably its equipment and track, greatly in need of repair, the making of which would cost a very large sum of money. It was soon evident that if the receivers should apply all the net revenue of the road to the payment of the prior operating debt, and to the restoration of the track and equipment to its proper condition, nothing would be left to pay interest upon the mortgage liens of the company, and even if the net revenues were so applied it would take a very long time to make these payments and to restore the track and equipment.



The method of handling this operating debt, as well as the proper provision for the large expenditures necessary for the extraordinary repair of equipment and track, became the subject of discussion with the leading banking houses who had negotiated the mortgage bonds secured upon the main line of the company's road. It was clear that the debt for operation must be paid even in cases where it might not be legally a debt prior in its lien upon the revenues.

I remember stating to one of the bankers, when the subject was discussed, this fact: he said: "Well some of these men have taken notes; are not they deprived of their lien or quasi-lien, on the revenues of the road?" I told him I did not think the note made any difference, but I said "Mr.---- it don't make such difference about that question; a man we owe, for example, say \$200,000, and he has taken notes for it; it gives us a business during the year amounting to a million; do you think we can afford not to pay his debt?" He said, "Oh, no; you have got to pay these debts." The creditors who had furnished rails, ties, fuel and other essential supplies were the greater patrons of the road and the non-payment of their debt would have resulted in the road being deprived of their patronage and its consequent revenue to the amount of several hundreds of thousands of dollars per year. The receivers therefore, presented the case to the bankers who were interested in the mortgage bonds of the company, and at their suggestion made the application to the court for the issue of \$5,000,000 of receiver's certificates. The court, under date of May 21, 1896, authorized these certificates, and under the court's order they became a first lien upon the property of the company. The issue of these certificates met with the approval of the banking houses in interest and was not opposed, except in a pro forma way by the trustee under one of the main line mortgages.





The effect of the issue of these certificates was, first, to prevent a further disastrous decline in the price of the company's mortgage bonds, and next, to enable the receivers to make the repairs and improvements to track and equipment essential to take care of the business, and at the same time to pay off an indebtedness to parties along the entire line of road, the payment of which secured a vast amount of business which would otherwise have been diverted or lost altogether.

The certificates issued under this order were dated June 1, 1896, payable three years after date, but redeemable one year after date, and upon any interest day thereafter, upon 30 days' notice.

On the same date, May 21, 1896, the receivers made their first report to the court in relation to the company's equipment and asked the authority of the court for the purchase of 75 locomotives and 5000 freight cars. The receivers asked authority to pay for this equipment through the issue of \$3,400,000 equipment bonds of the Baltimore and Ohio Equipment Company, (the stock of which company was owned by the Baltimore and Ohio Railroad Company) the equipment company agreeing to pledge, in addition to the equipment to be purchased, the equipment of the value of \$1,014,296.90 (upon which were unpaid liens of only \$91,284.47) to secure these bonds, which, which were to be guaranteed by the Baltimore and Ohio Railroad Company and the Receivers. The court authorized the issue of these bonds, guaranteed by the Baltimore and Ohio Railroad Company and the Receivers, dated July 1, 1896, due July 1, 1899, but redeemable July 1, 1898, or any interest date thereafter.

This arrangement secured for the road a large addition to its equipment without requiring any cash payment. We were awful short of cash. The great thing was to get along without making cash payments, for the securing of this equipment by bonds, thus guaranteed by the Baltimore and Ohio Railroad Company and the receivers, met with no objection from any of





the parties in interest; one of the trustees merely making a formal dissent, no one making any real objection to the request of the receivers.

I will have something to say in a moment about trustees generally.

The Baltimore Belt Railroad Company is the corporation which built the rail connections between the main stem of the Baltimore and Ohio Railroad at Camden Station, Baltimore, and its Philadelphia division at Bay View, a costly piece of work, including the tunnel under the City of Baltimore. This company had issued its mortgage bonds in the amount of \$6,000,000. which were guaranteed by the Baltimore and Ohio Railroad Company, under a contract for operation.

At the time of the appointment of the receivers the work on this line was still incomplete. The Maryland Construction Company, whose stock was owned entirely by the railroad company, was the Construction Company building the Belt railroad, and owed substantially \$465,000. And the railroad company, that is, the B. & O., owed for the electric plant and the three electric motors it was using in the operation of the Belt tunnel, substantially the sum of \$390,000. Furthermore, in order to facilitate traffic through the tunnel, it was necessary to rearrange and make additions to Camden Station, at an estimated cost of about \$100,000. Total about \$955,000. The Maryland Construction Company held the title to the property, the cost value of which was about \$895,000., while the electric plant and motors represented a cost of about \$447,000. In order to provide for the payment of the indebtedness, and also to provide the necessary funds for the additional station facilities for the Belt Railroad, etc., the receivers asked for and received authority to issue receivers' certificates, dated December 1, 1896, payable three years after date, redeemable six months after date, or at any interest date thereafter, in amount, \$956,000., and secured by a special lien upon the properties of the Maryland Construction Company, the

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electric power and lighting plan, including the motors, and upon the portion of the addition to the Camden Station building and train shed, so far as the proceeds were used in said construction.

This action was taken after conference with all the parties who represented the mortgage indebtedness of the railroad company, and especially with the bankers who were interested in the same, and no opposition whatever was made to the issue of these certificates.

I am emphasizing from time to time the fact that there was no position for the sort of prevalent impression that existed that we were riding sort of rough-shod over everybody.

The Pittsburgh and Connellsville Railroad, extending from Cumberland, Md., to Pittsburgh, Pa., with several branches, is one of the leased lines of the Baltimore and Ohio Railroad Company, and its stock and floating indebtedness is all substantially held by the latter company, and its mortgaged indebtedness, excepting that secured by its first mortgage, had been guaranteed in one form or another by the Baltimore & Ohio R.R.Co. It is practically a branch or division of the Baltimore and Ohio Main Line, but covered by separate mortgages as follows:

- |  |                     |
|--|---------------------|
| (1) - First Mortgage, not guaranteed by the<br>Baltimore and Ohio Railroad Company -----                               | \$4,000,000.        |
| (2) - First Consolidated Mortgage (one million three hundred<br>seventy-three thousand six hundred sterling) say, ---- | \$6,648,224         |
| (3) - Second Consolidated Mortgage -----   | <u>\$10,000,000</u> |
|  | \$20,648,224        |

On November 4, 1896, the receivers asked the authority of court to issue \$650,000. of receivers' certificates, secured specially upon the Pittsburgh and Connellsville Railroad. The proceeds of these certificates were to be used to complete certain terminals at Pittsburgh, to construct second and third tracks essential for the operation of the line; to provide a new yard at Connellsville, complete certain reservoirs necessitated by





lack of proper and sufficient water for locomotives at certain seasons, and to make a change in the line, involving the construction of a tunnel, in order to avoid "Fall's Cut"; to erect certain new steel bridges, and to arch certain of the tunnels upon the line. All of these improvements were absolutely essential to the safe and successful operation of the road.

The Receivers consulted with the banking firms who represented the two consolidated mortgages, and these firms gave their assent to the issue of these certificates, one of the firms having first sent their own expert over the road to examine the same, with the view of seeing if, in his judgment, the improvements were necessary or wise. No opposition was made by the trustees of the first consolidated mortgage but the trustee under the second consolidated mortgage deemed it his duty to make objection, notwithstanding the banking firm which had in its possession more than a majority of the bonds, distinctly joined in the request for the issue of the certificates. The court, after hearing argument of counsel, among whom was Mr. Cheats, now Ambassador to England, who appeared for the bankers requesting the issue of the certificates, authorized their issue under orders of court of November 27, and December 29, 1896. The certificates under these orders were issued, dated January 1, 1897, payable three years after date, but redeemable one year after date or at any interest date thereafter.

No money which the receivers expended produced better or more important results than the proceeds of these certificates. Hardly had the new line at Fall's Cut been completed when the mountain crushed down, completely filling up the old cut, an occurrence which had it taken place before the completion of the revised line would have blocked the entire Pittsburgh and Connellsville Railroad for four or five months and would have cost the company not less than one million dollars in loss of revenue.

The first part of the document is a letter from the Secretary of the State to the President, dated 18th March 1848. It contains a report on the state of the country and the progress of the government. The letter is followed by a copy of the President's reply, dated 20th March 1848. The President's reply is a short and simple letter, expressing his appreciation for the Secretary's report and his confidence in the government. The document then continues with a copy of the Secretary's reply to the President, dated 22nd March 1848. This reply is a more detailed report on the state of the country and the progress of the government. It contains a list of the names of the members of the government and a list of the names of the members of the legislature. The document ends with a copy of the President's reply to the Secretary's report, dated 24th March 1848. This reply is a short and simple letter, expressing his appreciation for the Secretary's report and his confidence in the government.



On January 25, 1897, the court authorized the receivers to extend for a period of three years the car trust obligations of the company, which matured January 1, 1897, in amount, \$250,000.

On the 20th of April, 1897, the receivers obtained authority of the court to make the usual agreements for the purchase of 250 or 260 coal cars through the Consolidation Coal Company and other coal companies. Through these and subsequent agreements of similar character, the receivers acquired in all 650 coal cars, the coal companies paying for the same and the Baltimore and Ohio Railroad Company and the receivers using the cars, and paying mileage for their use, the railroad company and the receivers acquiring title to the cars when the mileage so paid should amount to the cost of the cars and interest thereon. In other words, the hiring or renting of the cars was used to pay the purchase price. The receivers made no cash payment on account of the cars and were only obligated to pay the mileage on the cars. On the 30th day of January, 1897, the receivers under the authority of the court made an arrangement with the Fairport Warehouse and Elevator Company, to advance \$50,000, as the first payment on account of 1000 box cars purchased from the Missouri Car and Foundry Company. The remainder of the purchase price, \$450,000., was arranged through car lease warrants of one of the leased lines of the company, running ten years, one-tenth payable in each year. The obligation of the receivers in connection with the acquirement of these cars, consisted only in the payment of interest upon the lease warrants and such portion of the principal as might fall due during the period of receivership. The mileage on the cars more than equaled the amount of these annual payments and the interest. It is hardly necessary to add that there was no opposition made to the acquisition of this equipment upon these terms.



In June, 1897, the receivers applied for authority to purchase fifty thousand nine hundred and thirty-seven tons of steel rails to be used in the repair of the track on the various divisions of the road, and they asked authority to pay for forty thousand tons of the rail to be laid on the main line by the issue of receivers' certificates, payable out of the receipts of the main line, one-third thereof in each year. These certificates amounting to \$680,000. - \$17 a ton - the lowest price that steel rails had ever reached up to that time. These rails purchased for renewal rails on the main line, while immediately necessary, covered renewals which in the ordinary course of operation would be distributed through three years, and the receivers, therefore, deemed it proper to charge the revenues for the two succeeding years with a proportionate cost of the rails and to issue receivers' certificates accordingly. This petition of the receivers aroused opposition, and some of the representatives of the mortgage bondholders appeared in court and vigorously contested the application of the receivers, but on July 10, 1897, the court authorized the purchase of the rails and the issue of the receivers' certificates in payment of the forty thousand tons, which certificates were duly issued dated July 1, 1897, in amount \$680,000., one-third thereof to be paid out of the revenues of each of the three succeeding years and redeemable one year after date, or at any interest period thereafter.

It is hardly necessary to say that subsequent events have justified the order of court authorizing the issue of these certificates against the opposition of a small portion of the bondholders.

A curious fact is that today we are selling old rails which were taken out of the track in order to put new rails in, and getting more for the old rails than we paid for the new.

On June 28, 1897, the receivers applied to the court for authority



CHAPTER I. THE DISCOVERY OF AMERICA

IN 1492, CHRISTOPHER COLUMBUS, AN ITALIAN MARINER, WAS SPONSORED BY THE KING AND QUEEN OF SPAIN TO FIND A WESTERN ROUTE TO THE EAST INDIES.

HE SAILING WEST FROM SPAIN, HE ACCIDENTALLY DISCOVERED THE AMERICAN CONTINENT IN 1492.

THE DISCOVERY OF AMERICA OPENED UP NEW TRADE ROUTES AND LAID THE FOUNDATION FOR THE GROWTH OF THE UNITED STATES.

COLUMBUS' VOYAGE WAS THE FIRST OF MANY EXPEDITIONS THAT WOULD FOLLOW, LEADING TO THE SETTLEMENT OF AMERICA BY EUROPEANS.

THE DISCOVERY OF AMERICA WAS A PIVOTAL MOMENT IN THE HISTORY OF THE WORLD, MARKING THE BEGINNING OF A NEW ERA OF GLOBAL EXPLORATION AND TRADE.

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to acquire 3000 box cars, 750 hopper gondola cars, and 40 locomotives, the aggregate cost of which was \$2,383,050.

The proposition of the builders was to receive the regular equipment trust or lease warrants executed by the Baltimore and Ohio Railroad Company, and without requiring any cash payment on account, the receivers' direct obligation in connection therewith being to pay the interest upon the lease warrants during the receivership, and, in the case of one lot of cars, to pay the lease warrants falling due for three years, aggregating \$467,100., and in the case of a second lot of cars, the lease warrants maturing in the succeeding two years aggregating \$70,000. and in the case of the locomotives, to pay the warrants maturing at the end of one year, aggregating \$67,270.

The absolute obligation of the receivers, therefore, for this equipment, so far as the principal was concerned, amounted to \$584,370.

The car companies and locomotive builders were willing to accept the obligation of the company with this partial obligation on the part of the receivers, for the indebtedness, knowing full well that any purchaser of the road would not attempt to operate the same without completing the purchase of these cars and engines, which were so essential for the operation of the line.

This application, in the matter of the steel rails, excited the opposition of the representatives of certain of the mortgage bonds, but the court authorized the acquisition of the equipment by the issue of the Car Lease Warrants of the company, and the assumption by the receivers of the limited obligation I have named.

This and the application of the receivers in the matter of purchase of rails, (that point I emphasize), are the only ones that were actively opposed by any of the mortgage bondholders and the gross obligation of the receivers under these two orders which could take precedence over the mortgage bonds, aggregated \$1,264,370.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice to ensure transparency and accountability. The text also highlights the need for regular audits to identify any discrepancies or errors in the accounting process.

In the second section, the author outlines the various methods used for recording financial data. This includes the use of double-entry bookkeeping, which ensures that every debit has a corresponding credit, and the implementation of a robust internal control system to prevent fraud and mismanagement. The document also touches upon the role of technology in modern accounting, such as the use of software for automated data entry and reporting.

The third part of the document focuses on the ethical responsibilities of accountants. It stresses that professionals in this field must adhere to a strict code of ethics, prioritizing integrity and honesty over personal gain. The text discusses the potential consequences of unethical behavior, including legal penalties and damage to professional reputation. It also provides guidance on how to handle conflicts of interest and maintain objectivity in all financial dealings.

Finally, the document concludes by reiterating the significance of accurate financial reporting for stakeholders. It notes that reliable financial statements are essential for investors, creditors, and other interested parties to make informed decisions. The author encourages all accountants to uphold the highest standards of professional conduct and to contribute to the overall health and stability of the financial system.



In January, 1898, the receivers applied to the court for authority to contract for the purchase of 3250 box cars and 1900 coal cars, under the following circumstances:

(A) The receivers negotiated a contract with the Pullman Palace Car Company, by the terms of which that company agreed to build 3000 thirty-ton box cars and lease them to the Baltimore and Ohio Railroad Company for ten years, at a quarterly rental, with the option to purchase the cars at any interest date after one year, upon payment of the agreed purchase price, with interest thereon at 3% per annum, less the sum of the rental payments previously made. The quarterly rental payment was equivalent to 2 1/2 % of the purchase price, with interest on the entire cost of 5%. The receivers became parties to the contract binding themselves only to the extent of guaranteeing to the lessor, the Pullman Palace Car Company, the performance for two years and during the receivership of the obligations of the lessee, the Baltimore and Ohio Railroad Company; that is to say, the obligation of the receivers as far as the principal of the debt was concerned, consisted only in the agreement to pay 20% of the principal, to wit: \$321,000.

The usual mileage, six mills per mile run, has more than equaled the interest on the lease warrants and the principal required to be paid under the contract.

(b) The Pittsburg Junction Railroad, a connecting line between the Baltimore and Ohio and the Pittsburg and Western Railway at Pittsburg, agreed to purchase one thousand thirty-ton coal cars and two hundred and fifty thirty-ton box cars, and to give its lease warrants therefor, one-seventh, payable in each year. The receivers agreed to use these cars and pay mileage thereon at the customary rate, but making no obligation to pay any portion of the principal, except pledging certain rebate charges to which the company was entitled under an arrangement between the Pittsburg

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 Government of India has taken all necessary steps to ensure that
 the provisions of the Act are fully and effectively carried out.
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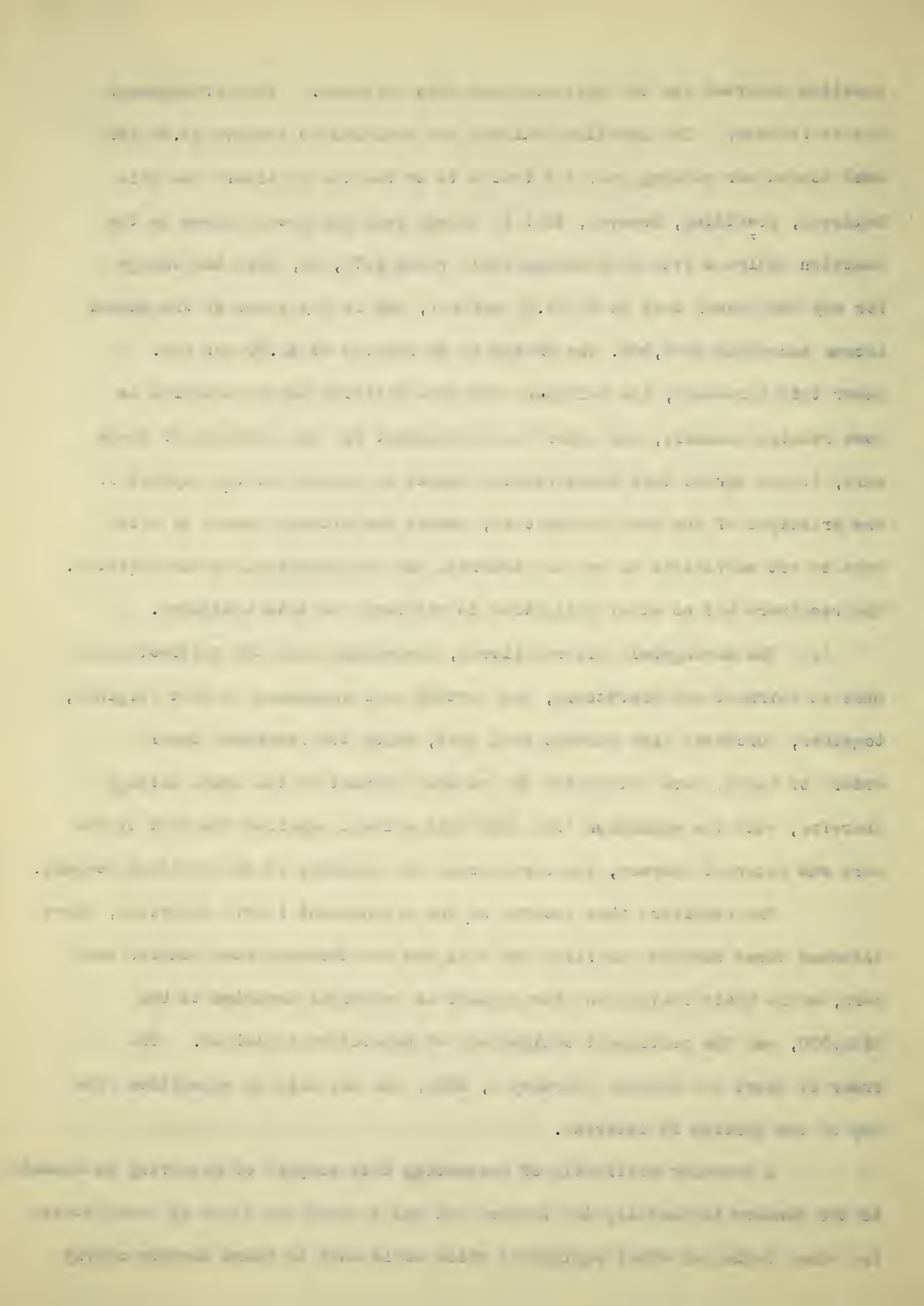
Junction Railroad and the Baltimore and Ohio Railroad. That arrangement was as follows: The Junction Railroad was entitled to receive \$2.00 for each loaded car passing over its tracks to or from the Baltimore and Ohio Railroad, providing, however, that if in any year the gross income to the Junction Railroad from such charge shall reach \$270,000, then the charge for any additional cars to be \$1.50 per car, and in the event of the annual income exceeding \$300,000. the charge to be reduced to \$1.00 per car. Under this agreement, the Baltimore and Ohio Railroad became entitled to some rebates annually, and under the arrangement for the purchase of these cars, it was agreed that these rebates should be applied to the payment of the principal of the cost of the cars, should the mileage earned by said cars be not sufficient to pay the interest and the principal as above stated. The receivers had no other obligation in reference to this equipment.

(c) The Monongahela River Railroad, connecting with the Baltimore and Ohio at Fairmont and Clarksburg, and certain coal companies in West Virginia, together, purchased nine hundred coal cars, which the receivers under orders of court, were authorized to use upon payment of the usual mileage therefor, with the condition that when such mileage equalled the cost of the cars and interest thereon, the cars became the property of the railroad company.

The receivers thus secured by the arrangement I have described, three thousand three hundred and fifty box cars and one thousand nine hundred coal cars, while their obligations for payment of principal amounted to but \$321,000, and the contingent obligations as heretofore explained. The order of court was entered February 5, 1898, and met with no opposition from any of the parties in interest.

I remember distinctly of presenting this subject of acquiring equipment to the bankers (especially the bankers who had opposed the issue of certificates for steel rails and other equipment) which would cost in round numbers nearly





\$3,000,000. for which the obligation of the receivers was but a little over \$300,000. and the bankers said: "Well, won't the court when the sale comes off regard these equipment obligations as having some lien on the road; at least, won't they say there is a moral obligation to take care of that debt and pay the balance?" I said "No" "Well," they said, "how do you get the equipment; how do you get any person to sell you equipment that way?" "Why, very simple." They said "How do you get equipment costing \$3,000,000. without pledging the estate to cover \$300,000?" I said, "It is very simple; the builder of this equipment knows more about this road than the receivers do, and when that special point arises he knows exactly what is in it, and he knows that there is not a man big enough fool in the United States to buy the Baltimore and Ohio Railroad and not complete the purchase of this equipment by paying therefor." "Oh," they said, "We suppose there is something in that," and they made no further objection.

Under date of June 22, 1898, the various parties in interest agreed upon a plan for the reorganization of the Baltimore and Ohio Railroad Company, and since that date the receivers have acquired equipment under car trust leases, made by the railroad company, to which the receivers were parties, only to the extent of agreeing to comply during the receivership with the obligations the company had made.

All of these arrangements were made under authority of court, and of course, without any opposition, but with the approval of all parties in interest. The amount of the equipment so acquired was six thousand box cars, two thousand five hundred coal cars, five thousand steel coal cars and eighty locomotives.

There were sundry other orders of court authorizing the acquisition of small lots of passenger, freight and marine equipment, which I have not thought it necessary to go into the details of.

During the receivership of three years and four months the railroad

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice, and that these documents should be stored in a secure and accessible location. The text also mentions the need for regular audits to ensure the integrity of the financial data.

In the second section, the author outlines the various methods used for data collection and analysis. This includes the use of specialized software tools, manual data entry, and the application of statistical techniques to identify trends and anomalies. The importance of data security is also highlighted, with recommendations for strong passwords and regular software updates.

The third part of the document focuses on the reporting and communication of findings. It describes the format and content of the reports, including the use of clear and concise language, the inclusion of relevant data points, and the use of visual aids such as charts and graphs to enhance the presentation of the information. The text also discusses the importance of transparency and the need to provide a clear explanation of the methodology used in the analysis.

Finally, the document concludes with a summary of the key findings and a list of recommendations for future work. It emphasizes the need for ongoing monitoring and evaluation of the system, and the importance of staying up-to-date with the latest developments in the field. The author expresses confidence in the results of the study and hopes that the findings will be helpful to other researchers in the area.



earned \$92,899,546.89, including \$3,127,827.64 miscellaneous income, and there was spent for operating expenses, including large extraordinary outlays for maintenance of road and equipment, \$68,162,583.50, leaving a net of \$24,736,963.39

In addition to the extraordinary sums spent for maintenance and charged to operating expenses, there were improvements and additions made to the road costing \$4,018,652.85. These improvements were paid for as follows:

From the terminal mortgage fund, which was a sum in bank, applicable only to improvements, the proceeds of sale of terminal mortgage bonds, \$1,081,409.37; from receivers' certificates, \$483,565.05; from earnings of receivers and assets in their hands, \$2,453,678.43.

The receivers acquired for the company, in the manner detailed, the following equipment: two hundred and twenty-seven engines, thirty-five passenger cars, thirty thousand seven hundred and three freight service cars.

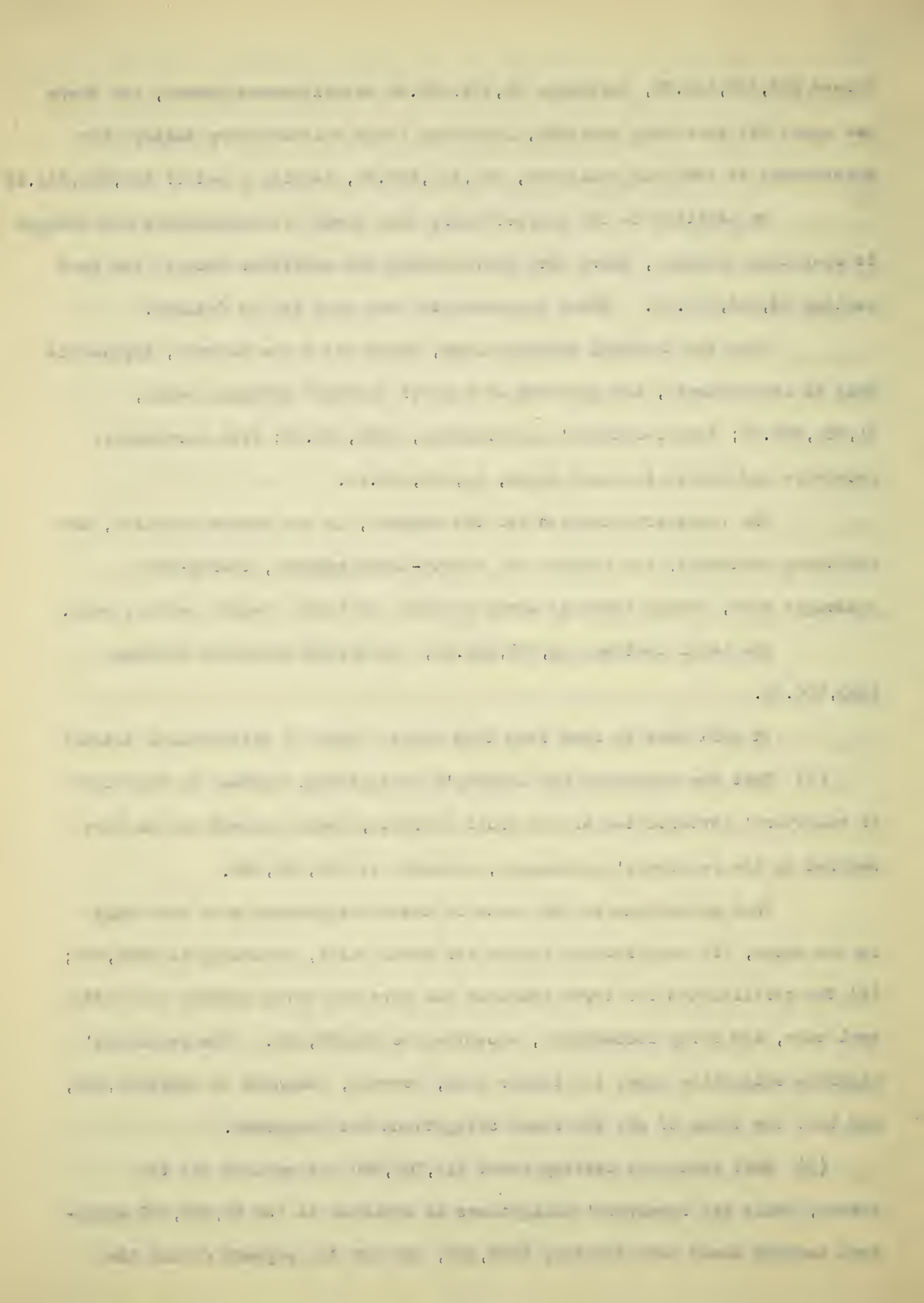
The total costing \$19,790,456.46, and marine equipment costing \$685,504.08.

It will thus be seen from this simple story of arithmetical detail:

(1) That the receivers and company's obligations, whether in the form of receivers' certificates or car trust warrants, whose payment was in part secured by the receivers' agreements, amounted to \$25,936,346.

That objections to the issue of these obligations were made only in two cases, (1) certificates issued for steel rails, amounting to \$680,000; (2) the certificates for three thousand box cars and seven hundred and fifty coal cars, and forty locomotives, amounting to \$2,385,050. The receivers' absolute obligation under the latter hand, however, amounted to only \$594,370, and that the issue of all the other obligations was unopposed.

(2) That equipment costing about \$19,700,000 was secured for the estate, while the receivers' obligations in addition to the \$3,400,000 equipment company bonds were for only \$995,370, and for the payment during the



receivership of the usual mileage rental, which is paid for the use of equipment when hired from other lines.

(3) That the improvements made in the line, including the additional equipment, which were paid for out of earnings, or by the issue of obligations, I have described, would today cost at least \$8,000,000. in excess of what the receivers paid.

And now what have been the results of this administration of a great trust by the United States Circuit Court for the District of Maryland:

(1) Every bondholder of the Baltimore and Ohio Railroad Company has received new securities which substantially pay his full debt. In other words, the bondholders have been paid in full.

(2) The floating debt creditors have received every cent of their indebtedness.

(3) The first preferred stockholders have received in cash seventy-five per cent of the par value of their stock, the court overruling their claim of preference over the bondholders and creditors.

I have not thought it proper to go into the disputed question of preferred stockholders, because that was a contest between lienors, and did not relate to the administration of the estate by the receivers.

The second preferred stockholders have received securities, which, after payment of the assessment, net about \$70, per share, at the present market, and at times over \$80 net could have been realized.

(4) The common stockholders, instead of being wiped out, have received their common stock in the new company, upon paying an assessment, the net amount of which (because of the value of the securities received for such assessment) would not exceed five or six dollars.

(5) The company saves its old charter for whatever value may attach to it.





It is true, that although this paper deals with the judicial administration of a great trust, it does not present any fine hair-splitting legal questions, but it shows that in American jurisprudence there has been evolved a method whereby the courts can take a great property whose administration is full of difficulty, and they can so rehabilitate it that substantial justice may be done to bondholders, floating debt creditors and stockholders; that this can be done without violating any of the well defined rights of any creditor, and that it is the duty of the courts, in administering these great trusts, to place the property in the position where its possible earning capacity can be shown, and consequently a fair and just reorganization can be made.

I remember, during the contest, talking to two of the leading lawyers in the United States, who told me that they liked me very much, but that I did not know what my position as receiver was; that I did not understand it; that I had nothing to do but to maintain the status quo; that was about the time of the Greek war. Now, I said, that "status quo" is a very nice Latin term, but what does it mean applied to a railroad - especially a railroad like the Baltimore and Ohio? There are five thousand cars that were lying idle for want of repairs, two hundred and twenty-five engines, and other equipment of the road that had not turned a wheel for months; is the "status quo" preserved by keeping them still? The "status quo" of a railroad is being taken from it every day in the week by ambitious active competitors, unless you keep in the fore front and in the advance. This railroad has \$150,000,000 in ties and rails and a little real estate, whose value is nothing but what the junk shop will give it until it is vitalized by equipment; you may save first mortgage bonds or something of that kind, but you have got \$150,000,000 of dead property; I tell you vitalize it by equipment and the "status quo" of the

The history of the United States of America is a story of a young nation that grew from a small colony to a great power. It is a story of the struggles of the people to create a government that would protect their rights and promote their happiness. The story begins in 1492, when Christopher Columbus discovered the New World. The first European settlers arrived in 1607, and the first American colonies were founded. The colonies grew and prospered, but they began to chafe under the control of the British government. In 1776, the colonies declared their independence and established the United States of America. The new nation was faced with many challenges, including the need to create a strong central government and to defend itself against foreign powers. The American Revolution was fought from 1775 to 1783, and the United States emerged as a free and independent nation. The Constitution was adopted in 1787, and the new government was established. The United States has since grown into a great power, and its history is a story of the triumph of the American dream.



railroad is a going concern, is bound to improve, and it should not be left to continue in this condition. As a simile I said, you may just as well ask Prince Constantine at the head of the Greek troops on the Greek hills to hold his "status quo", without giving him ammunition and reinforcements, while the overwhelming Turkish legions were marching on him.

Next, I draw the conclusion that while the trustees are the technical defenders and enforcers of the rights of the bondholders, the real parties in actual practice who defend and enforce these rights are the bankers who have negotiated the bonds. The great banking houses of Speyer and Company, Speyer Bros., J. P. Morgan & Co., J. S. Morgan & Co., Brown Bros. and Company, and Baring Brothers & Co., who negotiated the B. & O. bonds, looked after the interest of the bonds they respectively represented just as closely as if they had owned every one of the securities themselves. While these firms were not the technical parties to the cause in which the receivers were appointed, they were the actual defenders of their respective bondholders.

It is well that it is so; the technical trustee, my experience is, in this and other cases, ordinarily thinks he has nothing to do but object, and that he must take no affirmative step for fear of risk involved. The banker knows that many affirmative acts must be done in the administration of such an estate, and does not fear to advise their doing.

When the court has done its work, and put the property into the position where its fair earning capacity could be shown, it became evident that no one interest need be sacrificed, and then was brought into play that wonderful and delicate machinery of modern commerce, a part of what Mr. Bagshot calls the "lending apparatus of the world," whereby the distribution of more than \$200,000,000 of securities was obtained by the great banking houses, Speyer Brothers, Speyer & Co., and Kuhn, Loeb & Co.



They placed their names on a Reorganization Agreement, and at once the "Loan and Investment Fund" and the "Speculative Fund" of two continents were drawn on to make the plan a success.

Now I have stated in a humdrum way the general results of this receivership and administration. It is a good deal like Dr. McIlvain used to tell us at college, that it was advisable for a man to go through college anyhow, whether he got a great deal out of it or not; he was advised to go through and find out through the curriculum there what there was in it; there was not so much in it after all, but it was essential for him to know that there was not so much in it.

You observe that there have not been many fine legal distinctions or metaphysical questions of law, which are so interesting to the legal mind, which had to be determined, and yet it was the administration of a great property and a great trust.

I have said that the securities amounted to \$200,000,000; they did, upon that part of the property immediately in charge of the court, but that which was outside of the court's jurisdiction and belonged to the subordinate companies, and which was brought into the fold by the administration of this trust, amounts to a \$100,000,000 more, so that practically there was the administration of an estate involving \$300,000,000 of securities, and it has been administered by an American tribunal in the way I have detailed, without violating any creditor's rights, and so as to do exact justice to all parties in interest.

I think it is Mr. Bagshot who says that there are two classes of judges; there are judges for the parties and judges for the lawyers. The judges for the parties are those who have a nice perception of the facts; they have a sagacity for determining the exact facts and for applying certain principles to those facts, and they do not go beyond them; they do not decide principles, as we would say; they do not go beyond the particular case. Lord



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Lyndhurst, he says, was such a judge. A wise man who had a good case would want to go before Lord Lyndhurst.

There is another class who are judges for the lawyers, and not only see that case, but see in that case some principle by which they want to settle the law for all future time and future cases; the subject is one over which they have been brooding, and they therefore take the case in hand and settle the law for the future by it.

In the administration of such a trust as this, as you can see, it calls for a great deal of important work. It was largely a business concern; there had to be judges who could see the precise situation; that might never occur again; they had a great business before them and they endeavored to do the things which that business calls for. They were judges for the parties. There are, to use an illustration from the same authority, two kinds of minds; they are like teeth; they are incisors and grinders. There are minds that apply a long piercing argument to the subject, so that they get to the bottom of it; while there are others who keep a topic under the pressure of a strong jaw-like understanding, smooth out its inequalities and straighten out its intricacies.

Sydney Smith says Bagshot was a molar; this is the type of man required for the administration of a trust of this kind which requires the strong jaw-like understanding to take hold of the particular questions and particular difficulties that had to be solved at that particular time and solve them without going further.

Permit me to make an observation that may seem far afield, but I think that it is a compliment to American jurisprudence, that it handles the largest and smallest subjects, to use a scriptural phrase, "from the cedar of Lebanon to the hyssop on the wall;" that it does justice in the smallest cases and that it can take the assets of a great corporation like the B. & O. R. R. Co., involving hundreds of millions of dollars and successfully

The first part of the book is devoted to a general survey of the history of the United States from its discovery by Columbus in 1492 to the present time. It covers the period of the early colonial settlements, the struggle for independence, and the formation of the federal government.

The second part of the book is devoted to a detailed account of the political and social development of the United States during the period of the early republic. It discusses the growth of the federal government, the expansion of the territory, and the development of the industrial revolution.

The third part of the book is devoted to a detailed account of the political and social development of the United States during the period of the late republic. It discusses the growth of the federal government, the expansion of the territory, and the development of the industrial revolution.



administer these assets in accordance with modern requirements. I regard it as exhibiting the ready adaptation of the American court and the American lawyer to the needs of modern life. And that is my view about the American, in every aspect, whether it is the American business man or the American mechanic or the American judge. And in view of that it is pleasant to think what the new and younger lawyers will have to do in the future in making adaptations to the new conditions that are arising in our life. The younger minds that are coming to and entering the profession, will have new questions to solve, that will arise in various ways; they will arise out of the large aggregations of capital known as trusts, which will come forward by-and-by. They will arise particularly in the new colonial possessions which we have taken. Whatever you may think, and probably the majority of you entertain the views of my good friends of "The Sun," of the great unwisdom of this country embarking in colonial expansion; it has done it, and will, whatever my friends may say, continue to do it; it is there. Take Cuba, so close to us, instead of being a place for a million or a million and a half of people, the child is now living that will see ten millions of people on that fertile isle. As Mr. Robert Ingersoll said: "Cuba is the smile of the sea." It is under American jurisdiction, and, in one form or another, it will continue to be so. You can no more shake off these colonies, no matter how much you think they ought to be shaken off, than you can shake off one of the states. An Englishman in the last century might just as well have said to William Pitt to hand back to France the valley of the St. Lawrence and the Canadian Dominion, and that great stretch from the Ohio to the Mississippi, when Wolfe lay dying on the heights of Abraham, as for an American to ask this great republic to give up what it has taken. You might as well ask Robert Clive to quit India when Plassey was won, or ask Cromer to get out of the valley of the Nile and hand back the land of the Pharaohs again to disorder and rapine; you may

The first part of the document is a letter from the Secretary of the State to the President, dated January 1, 1865. The letter discusses the state of the Union and the progress of the war. It mentions the recent victories of the Union forces and the hope that the rebellion will soon be crushed. The Secretary also discusses the issue of Reconstruction and the need to restore the Union as it was, but with the rights of the freedmen protected. The letter is signed by the Secretary of the State, William H. Seward.

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tell Kitchener to leave Khartoum and let the darkness of the blackest barbarian once again settle over the Soudan, but you cannot tell this giant Republic, as much as you may wish to tell it, to leave the Antilles and the Orient.

Now whatever may be your views as to the wisdom or unwisdom matters not in the administration of these great colonies; they are there at hand for the ready adaptation of the correct rules of civil conduct which the American lawyer has shown and of which I have given you a specimen today. The American lawyer will have much to do with shaping the laws, but more particularly with shaping the judicial institutions in these new possessions, which will become the foundation and security to property and life in the future.

I have had experience in two Latin-American countries, and the great difficulty is the want of good judicial tribunals and judicial honesty, and judicial integrity. The foundations of our possessions in these new lands and their future progress in prosperity, is going to be the adaptation by American lawyers of the local laws and the local customs to the local conditions, with absolute honesty and integrity, and with that fine sagacity that characterizes the American Bar.

Let me close by quoting a brilliant passage from Victor Hugo, a favorite author of mine; he says: "The power of Greece to throw out light is marvelous. Greece did not colonize without civilizing. An example which many a modern nation would do well to follow. To buy and sell is not all. Tyre bought and sold; Bearytus bought and sold; Sidon bought and sold; Sarepta bought and sold. Where are these cities now? Athens taught, and she is to this hour one of the capitals of human thought. The grass is growing on the six steps of the tribune where spoke Demosthenes. The Ceramicus is a ravine half choked with the marble dust which was once the palace of Cecreps. The Odeon of Herod Atticus, at the foot of the Acropolis, is now but a ruin, on which falls at certain hours the imperfect shadow of the



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Parthenon; the Temple of Theseus belongs to the swallows; the goats browse on the Pnyx; still the Greek spirit lives; still Greece is queen; still Greece is goddess; a counting-house passes away; a school remains."

Such is Hugo's description of the Greek colonization.

Today we stand to give to our colonies a higher civilization than Greece gave to hers. We send the counting house, but we send also the school; the factory and the trolley go there, but so do the academy and the portico. The railroad goes, the second of the great civilizers, but it goes with the alphabet and the foundation of the whole is the security of school and the academy; the security of factory and the trolley, the security of property, the security of business and the security of life, founded upon law administered and shaped by American Lawyers.





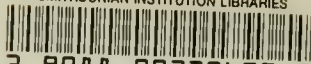




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